

A BPM Partners White Paper

Extending Performance Management to Provide Company-Wide BPM Solutions and Benefits

Go Beyond Finance with Extended Solutions for Operations

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Executive Summary

Business performance management (BPM, also known as CPM or EPM) has established its place and importance in most corporate Finance departments. BPM applications are very effective at automating routine budgeting, planning, and forecasting tasks, as well as consolidation and reporting. This is the core of BPM, but it is just the beginning of the use cases for performance management in the enterprise.

Businesses need measurement, analysis and insight, in a wide range of management tasks, and many users outside Finance are ready to put BPM to work in their jobs. Often, this requires extending or modifying the functionality, models, or analytics to fit a department or business unit.

Older BPM solutions typically cannot adapt easily, but some more modern solutions were designed to extend beyond core capabilities. These added capabilities address the expanded BPM requirements of today's CFO and Finance team, while also helping significantly in meeting the need for analysis and insight across lines of business (LOBs) and other departments, from HR to Operations. This new category of solutions is supported by "performance management plus", or PM+.

PM+ is, from our perspective, the new wave in the natural evolution of BPM. While it is almost always centered in Finance, the central PM+ software platform can extend to serve other departments and units well.

It has always been a challenge to accommodate the varied processes of different business units, so users should evaluate the adaptability – or extensibility – of an integrated BPM application, and its ability to be configured easily with maximum reuse of existing functionality and models.

This white paper looks at real-world use cases for extending BPM through configuration, and key considerations in selecting a BPM platform with this extensibility in mind.

BPM Challenges and Solutions

Performance management is intended to provide a holistic view of the business that allows managers at every level to forecast, monitor, and manage business performance and understand the impact of their decisions.

BPM has been widely implemented to automate, govern, and strengthen the budgeting, forecasting, and planning functions for Finance departments. Over time, BPM vendors added reporting and consolidation, tax- and disclosure-handling, analytics and other functionality.

BPM has established its long-term value to the enterprise, first and foremost in Finance. Other departments increasingly see the need to manage performance, spurred by changes in their business needs.

BPM software systems have gone through evolutionary growth, resulting in what can be called performance management plus, or PM+. During recent years, BPM began a widespread shift from on-premises to cloud-based architecture. Mobile accessibility and decentralized usage with centralized control have accompanied the evolution of BPM as it developed into PM+.

Applying Performance Management Outside Its Traditional Homeland (Finance)

Once implemented in Finance, other business units and departments often seek the planning and analytic benefits of performance management. Having seen the benefits for Finance, the departments want them as well. This brings either the departments or the company to a decision on whether to implement departmental performance management software that is different from the platform that Finance relies on. Usually, this is not advisable. The likely problems of integration and consistency for data, model drivers, budget assumptions, and strategy alignment are obvious.

Build upon Finance's Performance Management Plus

Instead of implementing separate applications to put tailored performance management in the hands of other departments, companies should extend the Finance core as necessary. This process becomes much easier with the additions that, when combined with a core BPM platform, create what we call Performance Management Plus (PM+):

Terminology: CPM, BPM, and EPM

In this white paper, CPM, EPM and BPM are used interchangeably to refer to corporate performance management, also known as business performance management, or – less frequently – as enterprise performance management.

- Web accessibility and mobile capabilities.
- Guided workflow, with alerts.
- Integrated business intelligence and departmental analytics with reporting capabilities.
- The ability to work in Excel to extend, modify, and give input to models used in the core BPM application.
- Operational analytics.
- Extensibility of the software application, where domain-specific solutions can be created via configuration of the core application.
- A preexisting library of “extended solutions” for deployment within and outside of Finance.

Not a Good Idea: Separate, Multiple BPM Applications Implemented by Business Units

If business units set up their own performance management application, distinct and completely independent from the Finance-centric platform already in place, they lose the opportunity to create solutions simply by adding dimensions and data fields to existing models and templates. Separate applications are much more likely to introduce data and assumption inconsistency, maintenance headaches, and confusion over whether a department’s analysis has any relationship to the corporate strategy.

Motivations for building – extended solutions – upon the central BPM application include:

- Ensuring that other business units and departments use centrally approved standards and model drivers, and a data foundation that Finance has blessed.
- Relying on the integration that is inherent in a single platform, and avoid the need to link modules and applications and perform other ongoing integration tasks.
- Reducing the amount of programming, customization effort, and increasing the reuse of investment in existing models.
- Maximizing the ROI from a single, centralized Finance /BPM platform.

Is it Easy to Customize Extended Solutions for Operating Units?

Performance management applications should permit self-sufficiency for business users who want to align the software for their operating units, independent of help from IT. It is almost a given that users will want to adapt the system to the unique needs of their department or business unit. Creating extended solutions should be feasible – sufficiently easy, in other words - for an experienced user (power user), but not every system can claim it is easy to configure and adapt.

PM+ Elements Make Customized Multiple Solutions Easier

In what ways does the core BPM application actually need to change, to create a solution matching the key unique business practices, methods, and data needs of a non-Finance department or unit?

Elements of performance management plus that make it significantly easier to build specific-purpose solutions include:

- Pre-built templates and models for vertical markets and frequently seen use cases, are another plus. Some vendors call these building blocks or starter kits.
- Integration with pro forma management reports and straightforward mapping to charts of accounts and data sources.
- Workflow and guided navigation, which are more recent additions to some vendors' BPM offerings.
- The ability to leverage content from Microsoft Office.
- Integrated analytics and business intelligence.
- Mobile and web accessibility.

Integrated Analytics

Line-of-business (LOB) groups and other departments began to adopt analytics, and Finance quickly realized that unless it provided its own approved data (such as approved budget numbers), a long-lasting problem could result. The rest of the company might slip into the dubious practice of analyzing and making decisions with data that business units cobbled together from data silos and incomplete sources.

Disparate systems, lack of consistency, maintaining multiple modules adds unnecessary complexity to analytics that are delivered as part of an integrated package.

Prepackaged or Integrated BI Tools

The solution was not simply to make Finance-blessed data available, but rather to also extend the BPM applications or integrated tools to the rest of the company. Finance can continue to focus on strategy and financials, while lines of business and other departments focus on operational planning.

Integrated Workflow

Processes, captured in workflow, are among the greatest differences from one performance management custom solution to another. A workflow engine in PM+ offers standardized, defined, and repeatable processes and controls to make new extended

solutions successful. Workflow is likely to be an essential component of extending an application to yield multiple solutions. Integrated workflow lets a non-programmer align a BPM system readily to specific processes.

Built-In Drivers

The platform should have the capability to “pass down” drivers from the corporate application to unit- or department-specific PM+ solutions. This maintains consistency, and prevents discrepancies and friction from appearing between Finance and operating units.

Mobility and Web-Accessibility

The fact that some businesses mention they have users on the plant floor, checking budgets and production metrics on their phones as they walk, is one illustration of the value that PM+ mobile access can add to BPM applications used throughout the enterprise.

Multiple Solutions for Different Departments/Units

One core system with multiple extended solutions appears to be the best way to deliver consistent performance management while allowing a high degree of alignment with departmental business processes.

One Core Application, Minimal Work, Yielding New Solutions

Numerous, highly customized solutions of BPM software for different business units can share the same platform – and its database, security architecture, data sources, interface, and integration.

Depending on the architecture and construction of the system, it may be feasible to create multiple complementary solutions that successfully address highly varied analytic requirements, yet still share common metadata such as entity or account. Other domain-specific solutions may be quite similar and share most of the core application with the ability to extend the granularity of the solution to additional levels of detail, if needed for the intended use case. It is helpful if the Finance-owned BPM platform requires only minor extensions and workflow sequencing to provide this new solution, and 90% of extended solutions are already in the core BPM platform.

Who Creates the Extended Solutions?

Which individuals in your company should have the ability to craft new solutions off the core platform? How easy should configuration be?

- Programmers only
- Power users in Finance and different business units
- Most users

In our experience, a “power user” situated within a department or business unit, who understands the end requirements in context through work experience, is the ideal compromise. The typical end user is probably too independent and unsupervised – and lacking a systems analyst perspective - to set up new solutions.

Use Cases – Where Extended Solutions are Needed

Below, some solutions that can be built off the core BPM application.

| Examples: Complementary Solutions Based on a Core BPM Application | Type of solution / Relationship to Core App | Likely users |
|--|--|---|
| People Planning | Planning at departmental level of granularity, with links to corporate budget | Human Resources, IT project managers, HR directors in business units |
| CapEx Planning | Specific planning at department or enterprise level, based on a mix of department and enterprise-level cost factors. Integrated to see impact on financial statements. | Manufacturing, IT, Strategy, Real Estate |
| Cash Flow Forecasting | Planning, granular detail for business units, this solution serves departmental planning and can feed aggregate numbers into the corporate cash planning. | Purchasing, Accounting, Finance in Business Units |
| Sales Analytics & Sales Performance Management | Planning, analytics and reforecasting using corporate budget and departmental actuals, feeding up to corporate performance reports. | Sales at Enterprise and Business-Unit Levels, Senior Corporate Management |
| Other solutions include Machine Learning, Account Reconciliation | May include: predictive analytics and audit and control | Business analytics, Accounting team and the Office of the CFO |

People Planning (HR, IT projects)

The focus of this domain-specific solution is usually employee- and contractor-related planning on compensation, benefits, travel and other related expenses. For Human Resources, people planning is an obvious function where HR and BPM should intersect. Additionally, any business with a strong project focus such as consulting, professional services, engineering, law firms, IT consulting, and architecture / design / creative firms can benefit from People Planning that lives together with the core BPM planning application.

Capital Expenditure Planning

Customized to the department's principal capital assets and their related expense including depreciation, maintenance and insurance. Integration: carry through impact of capital expenditures to pro forma financial statements, and possibly draw on departmental budgets already filed in the corporate budget.

Cash Flow

For any department or business unit that transacts and handles cash, and must maintain cash levels and liquidity, its cash flow planning and analysis should – in most cases – be an extension of the corporate cash flow model, with modifications to reflect the specific needs of the business unit. The solution for each department can go to a much more granular level and experiment with assumptions and drivers for the detail levels.

Sales Analytics & Performance Management

Sales performance management is an area where a business unit may use its own distinct modeling approach alongside the corporate model. Regardless, there should be consistency in that mandatory sales goals are synchronized – and the same as – those in the corporate plan. Creating a domain-specific solution from the core BPM application and existing sales models is often the appropriate way to do this. The department or unit will usually take the granularity to the customer and line item (SKU) level; this would be excessive detail for the core BPM solution in Finance.

Machine Learning

Machine-based learning can provide better predictive analytics. Using true statistical based forecasting allows business analysts to more accurately compare, adjust and gain deeper analysis of econometric data.

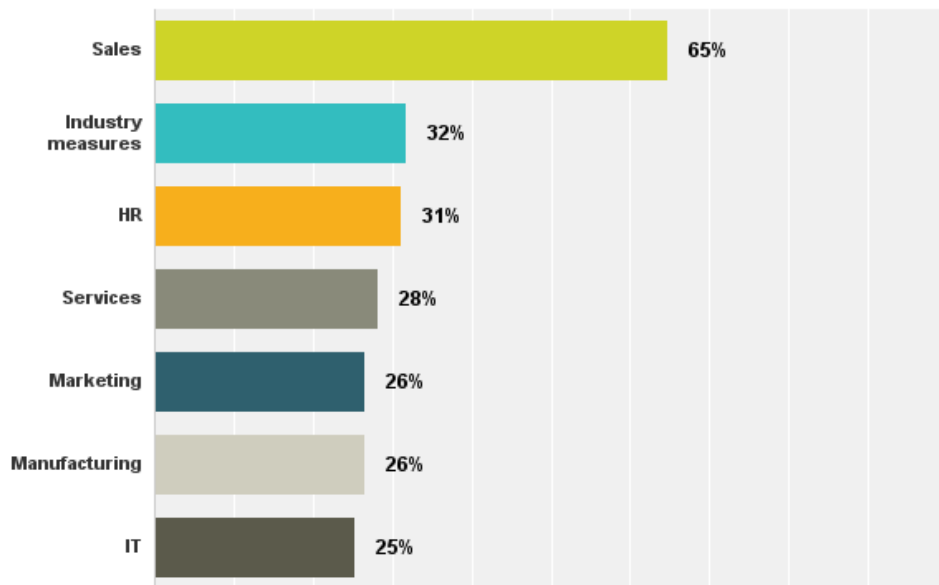
Account Reconciliations

Reconciliation of balance sheet items ensures that critical accounts are reconciled to reduce the risk of errors in financial statements. For any accountant wanting better internal controls and to ensure that critical accounts are reconciled after financial close, a must for Public companies.

Which Departments and Units Need Extended BPM Solutions?

Other departments have embraced the analytics and forward-looking view that BPM can provide – none more so than Sales. HR, Services, Marketing, Manufacturing, and IT also express their need for performance management that is relevant to their operations, with a focus on operational analytics. Besides a departmental focus there is also an interest in industry-specific measures and related analysis.

Which areas are you focused on for operational analysis (select all that apply or None)



Source: BPM Partners' 2017 BPM Pulse Survey

The spread of BPM to line-of-business (LOB) managers and Sales, HR, and other areas brings improved operational performance, and enables a more comprehensive, holistic view of the business. It also means that more department-specific solutions need to be built upon the core platform, using data vetted by Finance.

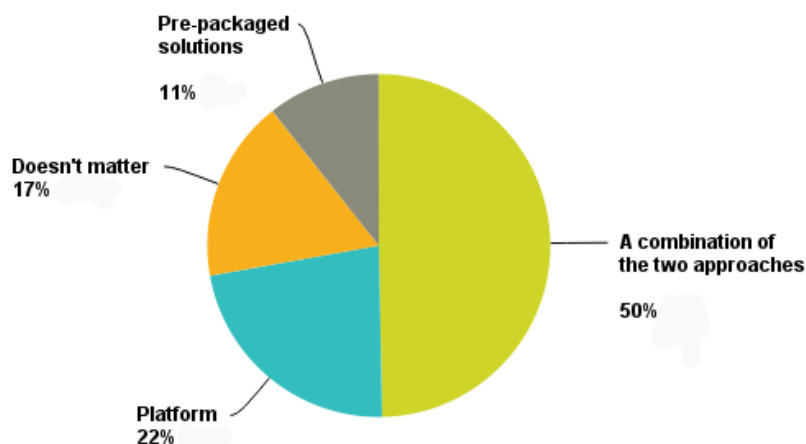
Evaluation and Selection Criteria

Selection committees should evaluate:

- How much of existing models and solutions can be reused, and extended with added detail and dimensions?
- From the reusable core of an existing solution, how easily can a new solution be completed and tested?
- Can the workflow of existing solutions be easily extended or changed to match the workflow needed for different business units and enterprise departments?
- Does the core platform have the option of downloadable “apps” or additional solutions to extend the product’s capabilities?

The marketplace finds such apps/solutions helpful in providing additional capabilities to enable performance management across a business. Respondents to the recent BPM Pulse Survey preferred this platform approach over traditional pre-packaged solutions (22% vs. 11%). However, the largest group (50%) would like a product that combines both approaches.

Some vendors position their product as a platform with a marketplace of solutions/apps while others offer more traditional pre-packaged solutions. Which approach do you prefer?



Source: BPM Partners' 2017 BPM Pulse Survey

Background: Defining Performance Management Plus

Below are the enhanced capabilities of BPM that combine to make up Performance Management Plus.

First, the core functionality of BPM is required as a base: budgeting, planning, forecasting, consolidation, reporting, and dashboards. That foundation is augmented with:

- Built-in operational analytics
- Integrated BI for enhanced analysis and data quality
- An extensible platform, with a library of ready solutions beyond the BPM core
- Ease of use/intuitive navigation and workflow
- True cloud delivery/full mobile access

With the enhancements below built into a BPM platform, users can improve bottom-line performance in numerous areas of the enterprise.

| | Traditional BPM | Performance Management Plus |
|-------------------------------|---|--|
| Integrated BI Capabilities | In some cases, basic integration with standalone BI tools | Integrated |
| Integrated Workflow | Limited to notifications in most cases. | Easily configured to align with existing business processes in different departments |
| Operational Analytics | In some cases | Integrated |
| Extensibility of the Software | Limited, or via IT or professional consulting services | Extensible platform and easily customized |
| Solution Library | In some cases | Yes |
| Architecture and Mobility | Client/server and/or hosted or cloud with basic mobile access | Cloud with full-featured mobile access |

Conclusions

Organizations considering new BPM solutions should consider the role of performance management beyond the Finance group. They should look for Performance Management Plus (PM+) capabilities, with the ability to extend BPM models and processes to create domain-specific extended solutions that are fully unified with the core BPM platform. In taking advantage of PM+'s increased ease of use, accessibility, functionality, and integration with other software and data sources, they can more effectively bring performance management solutions and benefits to a wide range of business units without adding the additional complexity associated with separate modules or suites of applications.

About BPM Partners

BPM Partners is the leading independent authority on business performance management (BPM) and related business intelligence solutions. The company helps organizations address their budgeting, planning, financial reporting, regulatory compliance, profitability optimization, key performance indicator (KPI) development, and operational performance challenges with vendor-neutral experts who can guide companies through their BPM initiatives from start to finish while both reducing risk and minimizing costs. For further details, go to www.bpmpartners.com. Follow BPM Partners on Twitter [@BPMTeam](https://twitter.com/BPMTeam).

About OneStream Software

OneStream Software is an independent CPM software company beholden only to our customers. Our deep domain expertise delivers the first truly unified smart platform for Corporate Performance Management (SmartCPM™) to address the concerns of the offices of finance around risk management, data quality, efficiency and reporting. OneStream XF's Extensible Dimensionality® delivers a unified corporate data structure along with business unit operational independence. We are changing the game in Corporate Performance Management by allowing business units to extend detail and dimensions including accounts, products, regions, channels, and departments without compromising the integrity of the corporate data structure.